

**Statement of  
Mr. Ralph Thomas  
Assistant Administrator  
for the  
Office of Small and Disadvantaged Business Utilization  
National Aeronautics and Space Administration**

**before the**

**Subcommittee on Regulatory Reform and Oversight  
House of Representatives**

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My name is Ralph C. Thomas III, and I am the Assistant Administrator for Small and Disadvantaged Business Utilization for the National Aeronautics and Space Administration (NASA) Headquarters in Washington, D.C.

In accordance with the relevant law that created the Office of Small and Disadvantaged Business Utilization (OSDBU), both in my agency as well as the others, I report directly to the Administrator. I am also the Chairman of the Federal OSDBU Directors Interagency Council, which consists of my counterparts at the other Federal agencies.

I am pleased to be here representing NASA today. We are honored to report on how we are supporting the President's Small Business Agenda with regard to contract bundling. However, we are also happy to report that NASA has been sensitive to the impact of contract bundling on small businesses since early 1992. In fact we have been very effective in developing and implementing policies since that time that have dramatically increased prime and subcontract dollars to small businesses, including those owned by minorities and women.

Since that time, for example, we have increased prime and subcontract dollars going to small businesses from \$2.5 billion annually to \$3.6 billion with essentially the same total contracting budget. During that same period we have almost tripled the total prime and subcontract dollars going to minority owned businesses and more than tripled the total prime and subcontract dollars to women owned businesses.

In 1990, Congress mandated that NASA award at least 8 percent of its total prime and subcontract dollars to small disadvantaged businesses (SDB's). This included minority and women owned firms as well as Historically Black Colleges and Universities and other minority educational institutions. Up until FY 1993 we had never met the goal. Since that time we have increased the totals virtually every year and now award more than 19 percent of our total prime and subcontract dollars against the 8 percent SDB goal to such firms. We achieved that in the midst of contract consolidations and procurement reform. And we're still doing it today. NASA is awarding more of its total prime and subcontract dollars to small businesses than at any other time in its history, and that's in every small business category.

Now, we address the specific issue of this hearing: Contract Bundling. For purposes of review, contract bundling is generally defined as occurring when two or more contracts, in which at least one was previously performed by a small business, are combined together into one contract, which is too large for a small business to perform as a prime contractor.

As I stated earlier, NASA has been sensitive to the potential impact of this practice since early 1992. At that time we put a policy in place that required any NASA field center contemplating what is now known as contract bundling to get concurrence from the NASA Chief of Staff at Headquarters, who would first seek advice and counsel from my organization, the Office of Small and Disadvantaged Business Utilization. This, along with a number of other special business initiatives at our agency, sent a clear message to all of our senior managers in the field and at Headquarters on how serious we were about small and disadvantaged business utilization. And the proof is in the pudding as far as its effectiveness on the practice of contract bundling at NASA.

The Small Business Administration's (SBA) Office of Advocacy recently released a study entitled, "The Impact of Contract Bundling on Small Business – FY 1992- FY 1999." The report lists the top 25 civilian agencies that had the most bundled contract dollar growth during these years. NASA was not even on the list. That is a testament to how effective we were in this area.

Now we do concede that during that period some of our contracts got larger. That's what was happening everywhere. However, we put processes in place that ensured that small businesses had major roles in those contracts as subcontractors. In fact we developed a Uniform Methodology for Determining Small Disadvantaged Business Subcontracting Goals in major contracts as a NASA Policy Directive and that has worked quite well.

At last count NASA subcontracted a higher percentage of its total contract dollars to small businesses and small disadvantaged businesses than any other agency. Small businesses reap almost \$2 billion dollars a year as subcontractors on NASA contracts and much of it is in the high technology arena.

However, I don't want to leave you with the impression that we are focusing solely on subcontracting as a response to bundling. Small businesses are also winning a higher share of NASA's prime contract dollars than ever before, about \$1.7 billion. In the last seven years NASA has the highest rate of increase of prime contract dollars to small businesses than any other agency. In fact our FY 2001 List of Top 100 Prime Contractors for NASA includes no less than 40 small businesses.

Now with regard to the call in the President's Small Business Agenda to de-bundle contracts wherever it makes sense to do so, we have been very aggressive on that front as well.

For example, our Consolidated Space Operations Contract (CSOC) had a ten-year contract life value of over 3.4 billion dollars. We broke it up after the five-year base period into five

contracts and made two of them small business set-asides. On the three that are full and open contracts, the small business subcontracting goals range from 18% to 31%.

Similarly, with our International Space Station contract, which totals \$1.4 billion per year, we are breaking it up into five contracts into which, once again, two of them will be small business set-asides and the goals on the ones that are full and open range from 11 to 22 percent.

Mr. Chairman, these are two of our major contracts, totaling billions of dollars. Clearly, this should communicate our strong commitment to the de-bundling initiative of the President's Small Business Agenda. What can be expected in the future from NASA in this important area? More of the same. Prime and subcontract dollars to small businesses will continue to increase, and we will continue to break up contracts wherever it make sense to do so in order to assist in that increase.

That completes my testimony, Mr. Chairman, and now I'm ready to answer any questions you might have.